

Message Text

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ACTION EB-11

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

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INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SP-03 FEA-02 OMB-01 SWF-02 OIC-04 DRC-01 IO-14 XMB-07

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TO SECSTATE WASHDC 5022

INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUENOS AIRES

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AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ETRD GATT

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SUBJ: MTN - TNC WORKING GROUP 3(E) - AGRICULTURE: U.S.

OPENING STATEMENT

1. AT TNC WORKING GROUPS ON AGRICULTURE, APRIL 2-4, U.S. DELEGATE MADE FOLLOWING OPENING STATEMENT IN GENERAL DISCUSSION OF TASK 4, SUPPLY AND DEMAND STUDY.

2. QUOTE: WE WOULD LIKE TO THANK SECRETARIAT FOR TIMELY AND THOUGHT PROVOKING PAPERS ON SUPPLY AND DEMAND OF REPRESENTATIVE COMMODITIES WHICH IT DISTRIBUTED FOR OUR CONSIDERATION. CURRENT SITUATION OF TIGHT SUPPLIES FOR MANY KEY AGRICULTURE COMMODITIES OF INTENSE CONCERN TO ALL. WE HAVE HAD CAREFUL LOOK AT COMMODITY PAPERS AND THEY BRING TO MIND NUMBER OF SOME OF BROADER CONSIDERATIONS WHICH WE MUST ALSO BEAR IN MIND AS WE GO INTO NEGOTIATIONS AND WHICH COULD AFFECT THE WORLD TRADING SYSTEM FOR AGRICULTURE FOR SOME TIME TO COME.

FIRST POINT TO RECOGNIZE IS THAT SHORT SUPPLY SITUATIONS OCCUR FROM TIME TO TIME. TWICE SINCE WORLD WAR II, WORLD HAS BEEN ROCKED WITH FEAR AND PESSIMISM ABOUT ITS ABILITY TO FEED ITS PEOPLE.

SHORTLY AFTER WAR, WHEN FOOD STOCKS WERE EXHAUSTED PRODUCTION WAS DOWN, AND POPULATION WAS PROJECTED TO INCREASE 20 PER CENT OVER THE ENSUING TEN YEARS, THERE WERE GREAT WORRIES WHETHER GROWING POPULATION COULD BE FED. AGAIN IN MID-1960'S, WHEN DROUGHT AFFLICTED ASIAN SUBCONTINENT, WAVE OF ALARM SWEEPED WORLD ABOUT MAJOR FOOD SHORTAGE

AND FAMINE IN MANY AREAS. YET, NEITHER PREVIOUS FOOD CRISIS LASTED. EVENTUALLY SURPLUSES DEVELOPED AND PRICES FELL. RESULT WAS THAT, THROUGH PRODUCTION RESTRAINTS AND BUILD-UP OF STOCKPILES, HANDFUL OF COUNTRIES, AND ESPECIALLY THE UNITED STATES, WERE FORCED TO TAKE RESPONSIBILITY FOR SUPPLY MANAGEMENT FOR ENTIRE WORLD. THUS, WHILE YEARS 1968-1973 APPROPRIATE PERIOD TO CONSIDER, THEY CANNOT BE EXAMINED IN ISOLATION FROM OTHER PERIODS IF WE ARE TO HAVE COMPLETE UNDERSTANDING OF FACTORS AFFECTING SUPPLY AND DEMAND FOR THESE COMMODITIES.

OUR OBJECTIVE IN TRADE NEGOTIATIONS WILL BE TO FIND SOLUTIONS TO PROBLEMS THAT WILL FACE INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS IN NEXT FIVE, TEN OR TWENTY YEARS. WHILE WE CAN LOOK

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AT PROBLEMS THAT HAVE ARISEN IN LAST FIVE YEARS, WE WILL HAVE TO SATISFY OURSELVES AS WE PROCEED THAT WE HAVE IDENTIFIED THOSE PROBLEMS WE MAY FACE IN THE FUTURE. GENERALLY SPEAKING, THEREFORE, IT WILL BE NECESSARY TO LOOK AT LONGER TIME SERIES IN ORDER TO UNDERSTAND NEGOTIATING PROBLEMS AHEAD OF US, SINCE THESE CANNOT BE IDENTIFIED SOLELY ON BASIS OF SUPPLY, DEMAND AND PRICE TABLES JUST PREPARED BY SECRETARIAT, NECESSARY AT APPROPRIATE POINTS TO DISCUSS GREAT DEAL OF RELATED INFORMATION, SOME OF IT STATISTICAL, SOME OF IT

HAVING TO DO WITH CHANGES IN WEATHER, POLICIES AFFECTING PRODUCTION AND TRADE, AND ECONOMIC DEVELOPMENTS OUTSIDE AGRICULTURE.

WE RECOGNIZE THAT SOCIAL, POLITICAL AND OTHER ECONOMIC OBJECTIVES UNDERGIRD GOVERNMENTAL POLICIES FOR INTERVENTION IN AGRICULTURAL MARKETS, AND THESE MUST BE TAKEN INTO ACCOUNT IN NEGOTIATIONS. AMONG SOCIAL AND POLITICAL OBJECTIVES WHICH GOVERNMENTS OFTEN GIVE CONSIDERABLE WEIGHT TO ARE REDUCTION OF DISPARITIES BETWEEN RURAL AND URBAN INCOME LEVELS; AVAILABILITY OF EMPLOYMENT OPPORTUNITIES AS ALTERNATIVE TO FARMING; CONSERVATION OF LAND AND RURAL ENVIRONMENT; STABLE AND ADEQUATE FOOD SUPPLY INCLUDING ACCUMULATION OF RESERVE TO EASE SHOCK GENERATED BY SHORTFALLS IN OTHER PARTS OF WORLD. THESE FACTORS HAVE OFTEN LED GOVERNMENTS TO DEVELOP DOMESTIC POLICIES WITH INSUFFICIENT CONSIDERATION FOR THEIR GLOBAL EFFECTS.

AS CONSEQUENCE, TOO MUCH ATTENTION HAS BEEN GIVEN TO RESOLVING SHORT-RUN PROBLEMS AND TOO LITTLE TO THE NEED FOR FINDING SOLUTIONS TO THE PROBLEMS OF WORLD AGRICULTURAL TRADE WHICH WILL WORK OVER LONG HAUL.

WE SHOULD ALSO RECOGNIZE THAT THERE ARE CONSIDERABLE DIFFERENCES AMONG COMMODITIES, EVEN PRICE BETWEEN TWO COMMODITIES WHICH MAY BOTH BE EXPERIENCING SHARP PRICE RISES. THESE DIFFERENCES INCLUDE, AMONG OTHERS, DEGREE TO WHICH THE SUPPLY/DEMAND SITUATION FOR ONE COMMODITY IS INTERRELATED WITH THAT FOR OTHER COMMODITIES; DEGREE TO WHICH PATTERNS OF PRODUCTION AND PRICES ARE CYCLICAL, DEMAND TREND FOR COMMODITY; AND DEGREE TO WHICH STRUCTURAL DIFFERENCES AMONG COUNTRIES ARE REFLECTED IN TRADE POLICIES AFFECTING COMMODITY.

IN EXAMINATION OF SUPPLY AND DEMAND IN RECENT YEARS THERE
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IS NATURAL INCLINATION TO PROCEED DIRECTLY TO CONSIDERATION OF PRICE VARIABILITY. TO DO THIS IS TO EXAMINE SYMPTOM OF PROBLEM RATHER THAN CAUSE. IT IS FUNCTION OF PRICE TO ALLOCATE GOODS IN CONSUMPTION AND RESOURCES IN PRODUCTION. ALTHOUGH POLICY MEASURES AND INTERVENTIONS WHICH IMPEDE PRICE MOVEMENT MAY AT TIMES SEEM WARRANTED SUCH ACTIONS PREVENT MARKET FROM SENDING NEEDED SIGNALS TO PRODUCERS AND CONSUMERS TO PROVIDE SUFFICIENT INCENTIVES TO BRING ABOUT ADJUSTMENTS REQUIRED. WITHOUT THESE SIGNALS, SUPPLY AND DEMAND CAN MORE EASILY BECOME UNBALANCED. UNDERLYING CAUSES FOR, AND FUNCTIONS OF, PRICE CHANGES MUST THEREFORE BE ACCOUNTED FOR IN ANY DISCUSSION OF SUPPLY AND DEMAND CONDITIONS.

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INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

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WHILE WE THINK STUDIES BEFORE US ARE USEFUL IN FOCUSING
ATTENTION ON CERTAIN CLEARLY VISIBLE CHARACTERISTICS OF CURRENT
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SUPPLY/DEMAND SITUATION FOR KEY AGRICULTURAL COMMODITIES, OBVIOUSLY NUMBER OF OTHER FACTORS MUST ALSO BE CONSIDERED BEFORE NEGOTIATING PROBLEMS CAN BE IDENTIFIED. THAT COMMODITIES UNDER DISCUSSIONS ARE KEY COMMODITIES FOR THIS TYPE OF ANALYSIS INDICATED BY THE FACT THAT THEY INCLUDE THOSE MOST SIGNIFICANT IN WORLD TRADE, PRODUCTION, AND CONSUMPTION, AND WHERE DEGREE OF GOVERNMENT INTERVENTION MOST EXTENSIVE.

LOOKING TO FUTURE AND COMMODITY OUTLOOKS THAT WE MUST CONSIDER IN DEFINING NEGOTIATING PROBLEMS AND ARRIVING AT SOLUTIONS, WHAT DOES OUR EXPERIENCE FROM THE PAST TELL US?

IT TELLS US THAT ANY RULES INTENDED TO GOVERN WORLD AGRICULTURAL TRADE MUST BE FLEXIBLE ENOUGH TO ACCOMMODATE VARIETY OF SUPPLY/DEMAND SITUATIONS WHICH COULD DEVELOP. IT TELLS US FURTHER THAT WHEN PROBLEMS ARISE, PROBLEMS OF SCARCITY OR PROBLEMS OF SURPLUS, TRADE PRACTICES OF GOVERNMENTS HAVE FREQUENTLY AGGRAVATED RATHER THAN AMELIORATED THESE PROBLEMS.

WHEN WE LOOK AT AGRICULTURAL SUPPLY AND DEMAND IN THE WORLD SINCE WORLD WAR II, WHAT DO WE SEE?

ON THE ONE HAND, WE SEE NUMBER OF YEARS WHEN THERE HAVE BEEN SURPLUSES IN VARIOUS COMMODITIES. IN SOME CASES, SURPLUSES GENERATED BECAUSE OF HIGH PRICE SUPPORTS AND RESTRICTIVE TRADE BARRIERS. DURING PERIODS OF SURPLUS, THERE HAS BEEN TENDENCY BY MANY GOVERNMENTS TO SUBSIDIZE EXPORTS AGGRESSIVELY, THUS ARTIFICIALLY DEPRESSING WORLD MARKET PRICES AND ENCOURAGING INTRODUCTION OF IMPORT PROTECTION SCHEMES TO PROTECT FARMERS AT HOME FROM COMPETITION.

WE ALSO SEE TIMES OF SHORTAGE WHEN COMBINATION OF BAD WEATHER, SHORT-SIGHTED POLICIES, AND RISING WORLD DEMAND HAVE RESULTED IN EXPORT RESTRICTIONS AS WELL AS PRICE CONTROLS WITHIN RESPECTIVE NATIONAL ECONOMIES.

THEN THERE HAVE BEEN YEARS WHICH LIE SOMEWHERE BETWEEN THESE PEAKS AND VALLEYS. IN THIS MIDDLE AREA, IT SHOULD BE POSSIBLE FOR MARKET MECHANISM TO DO REASONABLY GOOD JOB OF UNCLASSIFIED

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ALLOCATING FOOD AND FEED THROUGHOUT THE WORLD, BUT WE HAVE HAD TO FACE INTRICATE VARIETY OF TRADE DISTORTING MEASURES WHICH LIMIT IMPORTS AND SUBSIDIZE EXPORTS, ALTERING PATTERN OF WORLD PRODUCTION AND TRADE, USUALLY TO LONG-RANGE DETRIMENT OF BOTH CONSUMERS

AND PRODUCERS.

UNLESS GOVERNMENTS CAN DEVELOP SOME UNDERSTANDINGS ON USE OF TRADE MEASURES DURING PERIODS OF EXCESS OR INADEQUATE FOOD PRODUCTION THROUGHOUT WORLD, TENSIONS WILL BE INEVITABLE. EXPORTING COUNTRIES, ON ONE HAND MAY BE RELUCTANT TO MAKE COMMITMENTS NECESSARY TO EXPAND PRODUCTION UNLESS THEY ARE ASSURED OF CONTINUED ACCESS TO FOREIGN MARKETS. ON OTHER HAND, IMPORTING COUNTRIES ARE RELUCTANT TO INCREASE THEIR DEPENDENCE ON FOREIGN TRADE WITHOUT SOME ASSURANCE OF STEADY SUPPLY. ALL GOVERNMENTS ALSO HAVE INTEREST IN ASSURING NONE PURSUE POLICIES WHICH SEEK TO SHIFT TO TRADING PARTNERS COSTS OF SUPPORTING FARM INCOMES AND STABILIZING FOOD PRICES AT LEVELS WHICH DIFFER FROM COUNTRY TO COUNTRY.

TO RELIEVE THESE TENSIONS, MAJOR AIM OF NEGOTIATIONS MUST CONTINUE TO BE REDUCTION OF AGRICULTURAL TRADE BARRIERS CONSISTENT WITH DOMESTIC COMMITMENTS. WE BELIEVE THAT AGRICULTURAL NEGOTIATIONS SHOULD CONCENTRATE ON IMPROVING AGRICULTURAL TRADING SYSTEM SO GOVERNMENTS CAN HONOUR THEIR COMMITMENTS TO BOTH FARMERS AND CONSUMERS AT LOWER LEVELS OF PROTECTION. UNITED STATES BELIEVES THAT REDUCTION OF LEVEL OF PROTECTION WOULD NOT ONLY BENEFIT CONSUMERS BY REDUCING REAL FOOD PRICES BUT ENCOURAGE PRODUCERS TO USE THEIR RESOURCES IN A MANNER MORE CONSISTENT WITH COMPARATIVE ADVANTAGE. AT SAME TIME, IN ORDER TO MAKE COUNTRIES WILLING TO ACCEPT GREATER DEGREE OF INTERDEPENDENCE IN AGRICULTURAL AREA, IT WILL BE NECESSARY TO ACHIEVE SOME UNDERSTANDING ON THE USE OF TRADE MEASURES UNDER ALL KINDS OF SUPPLY/DEMAND CONDITIONS.

WITH THESE THOUGHTS IN MIND UNITED STATES BELIEVES THAT DISCUSSION OF COMMODITY PAPERS BEFORE US TODAY SHOULD PROCEED. NEAR CONCLUSION OF DISCUSSION UNITED STATES WILL MAKE FURTHER PROPOSALS AS TO SOME IMPORTANT QUESTIONS WHICH EXPERIENCE WITH THESE COMMODITIES IMPLIES FOR FURTHER WORK. END QUOTE
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Message Attributes

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